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Pe[illegible] & Investments

The Newspaper of Corporate and Institutional Investing

$9 An Issue $135 A Year

AT DEADLINE

SEI blasted in Houston deal

A City Council audit committee has recommended terminating SEI Capital Resources as consultant for the $500 million Houston Municipal Employees Pension System.

The committee report criticized SEI's involvement in a golf course and residential development investment the fund made, which included $7 million in below-market loans.

Maritime fund settles

The Masters, Mates & Pilots pension and individual retirement account plans will recover $21.9 million under a partial settlement of claims brought against the funds' trustees, custodian, and former attorneys and auditors.

The complex litigation involved the imprudent investment of $31 million with Tower Asset Management in speculative venture capital and maritime investments. Tower received investment banking fees for the deals; the fund lost about $28 million in principal and income.

Guaranty bills exclude GICs

At presstime, a bill making Colorado the 48th state to have a life and health insurance guaranty association is sitting on Gov. Roy Romer's desk awaiting his expected signature.

The bill is effective July 1, and seeks to establish a fund to cover policy losses from defaulted insurance contracts. The Colorado bill specifically excludes GICs from coverage, as does legislation in Idaho, also effective July 1.

Funds report hirings

Jewish Hospitals in Cincinnati hired RCM Capital to run a $55 million long-duration fixed-income portfolio. Callan

Continued on page 39

INSIDE

A monumental problem

U.K. pension funds have banded together to try to mitigate the impact of mandated cost-of-living increases and a recent court ruling, which together could eat away at the funds' surpluses. Page 3.

Standard Brands Paint reached agreements to help restructure debt and work with stockholders.

Investors win concessions

Ailing firm compromises on loans, shareholder demands

By Marlene Givant Star

TORRANCE, Calif. — Standard Brands Paint Co., threatened with a proxy fight, has worked out agreements to ease its debt burden and to increase participation from shareholders.

Senior note lenders Transamerica Life Insurance and Annuity Co., Los Angeles, and SunAmerica Cos., Los Angeles, which is also a major shareholder in the company, will allow the troubled paint retailer to sell some closed store sites and undeveloped land in Texas and use the proceeds to reduce debt. In addition, the lending institutions agreed to forgive covenant violations by the company and to modify financial covenants applicable to future operations. In exchange, the insurers received new classes of preferred stock with conversion prices less than half that of the old.

Standard hired New York investment bankers Allen & Co. Inc. and Donaldson, Lufkin & Jenrette Securities Corp. to advise it on possible debt restructuring of $27.5 million held by Security Pacific National Bank, Los Angeles, and capital-raising options.

On the stockholder front, the company reached an accord with a group of institutional investors, including the California Public Employees' Retirement System, which owns almost 3% of the company, and Husic Capital, San Francisco, which owns 15% of the company as well as John Lanshaw, an outside director who owns 15.9% of the stock and had been waging a proxy fight against management.

Satisfying disgruntled stockholders, the company agreed to

See **Demands** *on page 39*

Tennessee to hedge in-house

By Trudy Ring

NASHVILLE, Tenn. — The $9.5 billion Tennessee Consolidated Retirement System will begin an internally managed currency hedging program under recently approved legislation.

Chuck Webb, chief investment officer, said it's unusual for a pension fund to manage currency in-house.

The legislation authorizes the system to use currency forward contracts on the yen, British pound and deutsche mark vs. the U.S. dollar. The measure was approved by the Legislature and signed by Gov. Ned Ray McWherter in late May.

Those three foreign currencies constitute the bulk of the system's international exposure, Mr. Webb said. The system has about 7% of its assets in foreign securities, with about a 2-1 ratio of stocks to bonds.

The fund, which is managed completely in-house, has been investing internationally since 1983. During that period, it has racked up significant gains through currency movements alone, and the hedging program will allow it to protect these gains, Mr. Webb said. Also, hedging will help it add value through catching long-term currency trends, he said.

What's more, being able to hedge means the currency question can be separated from security selection: "This frees us up to manage our stocks and bonds as stocks and bonds," Mr. Webb said.

He said the Tennessee system has significant internal experience and expertise with international investing. Some portfolio managers are dedicated solely to this asset class, he said.

The fund's internal staff has developed a model that will indicate the optimal amount of hedging at any given time. The international exposure will never be 100% hedged or completely unhedged, Mr. Webb said.

The fund will work initially with a group of six brokerage firms that will execute the trades; more firms may be added later. The staff is in the process of selecting the firms.

Also, before the program can start, the fund's legal advisers have to research such technical questions as the fund's recourse if a broker does not fulfill a trade. Mr. Webb said he hopes this work will be completed and the program up and running in a month or two. ■

IBM sticks with realty but freezes new buys

By Steve Hemmerick

STAMFORD, Conn. — IBM Corp.'s $22 billion pension fund has decided to "remain committed" to real estate as an investment class but has put a virtual freeze on investment in properties for now.

Some pension funds are withdrawing from real estate, an option IBM's pension staff and consultants examined as part of a thorough study that took months to complete.

But Kyle Escherich, an analyst with IBM's pension staff, said the investment committee and the staff study both arrived at independent recommendations to continue to hold real estate assets.

Mr. Escherich said the study found most pension funds basically had been buying real estate at the top of the market. The study, done with the help of several consultants, suggested it might be appropriate to continue investing in real estate.

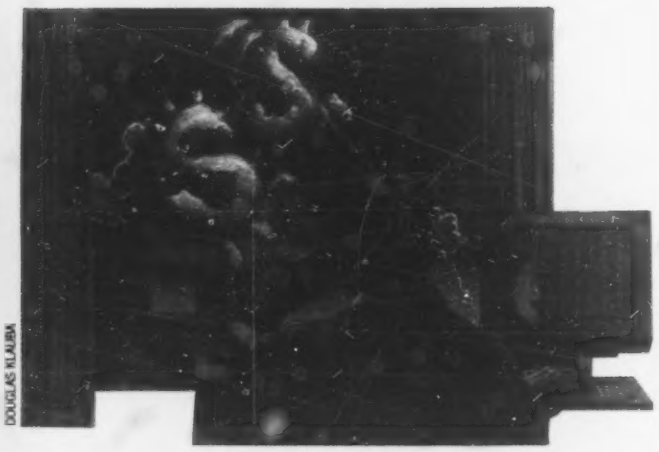
IBM's investment committee decided against buying properties for the moment because the pension fund is near its allocation limit of 10%. But even if the allocation falls significantly below 10% because of depreciation in property values, it is probable no investments will be made to bring the allocation back up.

The pension staff, at the direction of the investment committee, is pursuing efforts to solve problems in the real estate appraisal process. One remedy IBM is taking is to hire its own appraisers. Some consultants and academics have said the appraisal process is sometimes flawed because appraisers frequently are hired by real estate managers and the information about properties given appraisers by the managers

See **IBM** *on page 37*

IBM will hire its own appraisers now that it is committed to remain in real estate.

NEWS DIGEST



DOUGLAS KLAUBA

The need for diversification and expertise in specialized asset classes is slowly changing the mission of internal management for pension funds. Page 21.

Bechtel Power Corp.'s in-house investment arm is becoming the latest in a list of in-house units that offer mutual funds to outside investors. Page 4.

The clash of styles between old and new is apparently behind the decision to replace the executive director of the Washington State Investment Board. Page 22.

Insurance executives expect insolvencies in their industry to increase in the near future, according to a new study by SEI Insurance Asset Services. Page 26.

The MacBride Principles are being taken to heart by a handful of health-care and Taft-Hartley funds and the city of Boston. Page 30.

FINANCING

Institutional investors buy an unprecedented amount of debt and equities in the first quarter. Page 24.

INTERNATIONAL

The Tennessee Consolidated Retirement System is embarking upon an internally managed foreign currency hedging program. Page 1.

A group of 18 British pension funds is asking the U.K. government to delay the start of mandated cost-of-living increases for pensions. Page 3.

REAL ESTATE

The IBM Corp. pension fund decides to stick with real estate as an investment class but freezes new investments in properties. Page 1.

The now-rare practice of real estate money managers recommending consultants for advisory jobs is stirring concern in the pension community. Page 3.

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Vol. 19, No. 13 — Pensions & Investments (ISSN 1050-4974) is published biweekly with a special edition in May by Crain Communications, Inc., 740 Rush St., Chicago, Ill. 60611-2590. Second class postage paid at Chicago, Ill. and at additional mailing offices. Postmaster: Send address changes to Pensions & Investments, Circulation Dept. 965 E. Jefferson, Detroit, Mich. 48207.

Real estate adviser survey set to go

Questionnaires for *Pensions & Investments'* annual survey of the largest real estate investment managers will be mailed June 25. The completed forms, to be used for a special report published Sept. 24, must be returned by July 28. If you believe you qualify for the directory and have not participated in the past, please contact Christine Philip, directory coordinator, at (312) 649-5217.

Investors set own course

Both management, dissident get shareholder support

By Marlene Givant Star

Several large institutional investors cast the deciding votes that barred a dissident investor group from winning control of Baltimore Bancorp, even though they view the bank as a poor performer with an abysmal shareholder rights record.

Rather than fully supporting either the dissident group led by Baltimore businessman Edwin F. Hale Sr. or management, the institutions brought about a middle ground of changes they hope will boost shareholder value.

The institutions — including the California Public Employees' Retirement System, Sacramento; Legg Mason Capital Management Inc., Baltimore; and SunAmerica Cos., Los Angeles — voted to support the election of six of the 16 Hale nominees. They voted against supporting the dissident group's expansion of the board or the election of additional nominees to the board.

"We voted for the challengers, but only the partial slate. Just a little representation would be just enough to spearhead the company to be more aggressive in improving returns," said Jose Arau, principal investment officer of the California system.

In addition, the institutions supported two shareholder resolutions that are believed to have passed: one on a shareholder advisory committee and one on stripping the poison pill from the company's bylaws.

It is believed to be the first time a shareholder advisory committee proxy resolution was approved by a majority of shareholders.

The approval was significant because the bank has relatively few institutional investors, making it more difficult to get propos-

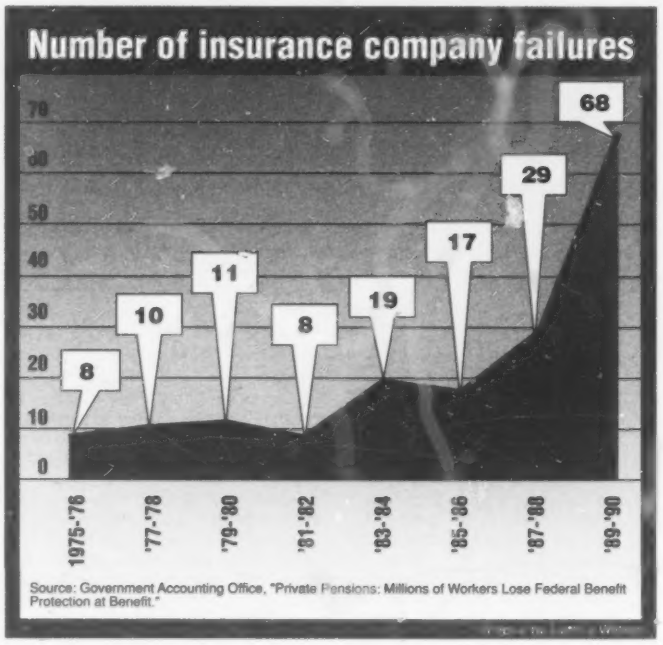
See **Bank** *on page 37*

Plans unite on Exec Life woes

By Hillary Durgin

Employee benefit executives want all of Executive Life Insurance Co.'s $1.1 billion in guaranteed investment contracts to receive the same treatment as Executive Life's annuities.

Last week, more than 50 corporate and state pension funds with more than $540 million in defined contribution plan assets invested in Executive Life contracts announced they are banding together to safeguard participants' benefits.



Source: Government Accounting Office, "Private Pensions: Millions of Workers Lose Federal Benefit Protection at Benefit."

Members of the Group Annuity Participant Protection Association include Holiday Inn Worldwide, Honeywell Inc., International Paper Co., Ralston Purina Co., Unisys Corp. and Xerox Corp.

Members were scheduled to appear last week before the Superior Court of California, Los Angeles, to seek modification of current court orders on Executive Life benefit payments.

Executive Life policyholders and annuitants are receiving 70% of their benefit payments, but benefit payments on GICs have been frozen by court order.

In addition, 25 companies that purchased Executive Life annuities have formed a group, Companies Concerned for Annuities of Retired Employees, to obtain full benefit payments for employees and retirees.

Meanwhile, concern is mounting among members of Congress over how to address potential participant losses and problems posed by the insurance industry as a whole.

See **Unity** *on page 39*

Pru unit chief starts new firm

By Terry Williams

Global Fixed Income Advisors, Newark, N.J., lost six clients, $45 million in assets under management and three employees when Chief Investment Officer Kenneth Windheim left May 31 to start Strategic Fixed Income L.P.

Pension funds are among the six clients, according to Mr. Windheim, although he declined to identify them.

The new firm is a partnership with Strategic Investment Partners Inc., Washington, a manager of managers with $5.5 billion of assets under management. Strategic Investment Partners is the limited partner, and Mr. Windheim is the general partner.

Joining Mr. Windheim from Global Fixed Income are Patricia Arcoleo, formerly manager in charge of fixed income, and Geraldine Boyle, formerly manager of operations.

Among Mr. Windheim's reasons for leaving Global Fixed Income Advisors — a wholly owned subsidiary of the Prudential Insurance Co. of America — was a desire to have an ownership stake in the business.

"I had a desire to be more than just an employee," he said.

According to Mr. Windheim, he proposed to Prudential that the investment unit be changed to a limited partnership with Prudential as a limited partner and him as general partner, controlling the business and the investment style.

The offer was declined.

"I then approached this other firm, and they welcomed the proposal," he said. "Prudential did have the first opportunity."

Timothy Biggs, a spokesman for Prudential Asset Management Group, declined to discuss the circumstances of Mr. Windheim's departure or identify clients that left Global Fixed Income Advisors for Strategic Fixed Income.

The parent company, however, has been in touch with its clients about Mr. Windheim's departure, according to Mr. Biggs.

"We're telling (clients) we're confident GFIA will remain among the largest and most competitive international investment management firms, using a prudent philosophy and investment process carried out by seasoned professionals," Mr. Biggs said.

Mr. Windheim, 32, joined Prudential in 1981 when Global Fixed Income was a $50 million pilot program. He assumed responsibility for the unit in 1984 when the firm had $250 million of assets under management.

When Mr. Windheim left at the end of May, the firm managed $5 billion in assets.

John Brookmeyer, chief investment officer of Prudential's Capital Management Group, of which Global Fixed Income is a part, will oversee the unit, according to a Prudential spokesman. ■

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CORRECTIONS & CLARIFICATIONS

• The equity/fixed-income breakout of **N.M. Rothschild International Asset Management Ltd.**'s international assets in the May 20 issue was incorrect. The firm has $28 million in international equity and $420 million in international fixed-income assets.

• **Sun Life of Canada**'s assets were misreported on the May 20 listing of the largest 100 managers in the United States. The correct total is $28.613 billion.

• **Prudential Diversified Investment Strategies** misreported its total U.S. institutional discretionary tax-exempt assets for the May 20 issue. The firm has $1.374 billion.

• The asset mix of **First Pacific Advisors Inc.** was printed incorrectly in the May 20 issue. The correct asset mix is 60% stocks, 14% bonds and 26% cash.

• **BEA Associates** was listed incorrectly on the Top 100 Managers by Total Discretionary Assets in the May 20 issue. BEA, with $9.506 billion under management, would not have made the Top 100. **Duff & Phelps Investment Management Co.**, with $10.437 billion, moves onto the list.

• The following profiles were omitted inadvertently from the May 20 directory.

HGK Asset Management Inc.

17 State St., New York, N.Y. 10004; (212) 514-9800

Total assets managed	$750,000,000
Total discretionary	$750,000,000
Total tax-exempt assets	$750,000,000
Total discretionary tax exempt	$750,000,000
Tax-exempt clients	81
Types of accounts managed	CGJ
Minimum separate account	$1,000,000
No. of portfolio managers	8

HGK Asset Management Inc. is an active equity, active fixed-income, balanced and short-term manager.

Its equity approach is to invest in companies selling at depressed prices relative to historical earnings growth, incorporating valuation criteria based on price-to-book, price-to-sales, price-to-cash flow and p/e ratios.

Its fixed-income approach is based on interest rate anticipation and sector analysis. Volatility is controlled by limiting the average duration and maturity of portfolios.

The asset mix as of Jan. 1 was 30% stocks, 65% bonds and 5% cash.

Warren A. Greenhouse is chief investment officer and client contact.

Meridian Management Co.

1200 Plaza West Building, Little Rock, Ark. 72205; (501) 663-7055

Total assets managed	$151,000,000
Total discretionary	$147,000,000
Total tax-exempt assets	$150,000,000
Total discretionary tax-exempt	$146,000,000
Tax-exempt clients	15
Types of accounts managed	CEF
Minimum separate account	$10,000,000
No. of portfolio managers	4
Size of research staff	1

Meridian Management Co. is an active equity and fixed-income manager.

Its equity approach is value-oriented and contrarian, keyed to buying deeply discounted stocks of viable companies. It stresses undervalued sectors, industries and issues that typically sell below book value and at relatively low multiples of earnings power.

The fixed-income strategy emphasizes undervalued securities and sectors investing in either high-grade or lower-grade issues depending on where the best opportunities exist.

Its asset mix was 91% stocks, 7% bonds and 2% cash.

Lee Bodenhamer is chief investment officer; Fred Burns is client contact.

• The chart of the Top 25 insurers in the May 20 issue was incorrect. The corrected chart follows.

25 largest insurers

Firm	$ mils.
Prudential	93,628
Equitable Life	70,814
Metropolitan Life	64,086
Aetna Life	45,196
Pacific Mutual	34,079
New England	30,275
CIGNA	28,409
John Hancock	24,165
Travelers	21,659
Principal Financial	21,506
New York Life	18,645
Transamerica	17,038
Primerica	15,783
USF&G	14,705
Massachusetts Mutual	14,531
Lincoln Nat'l	13,108
Kemper	9,907
Marsh/McLennan	8,031
Provident Nat'l	7,833
Great-West Life	7,547
MONY	7,524
Continental Assurance	6,486
Nationwide Life Insurance	6,460
Hartford Life	6,300
Mutual Benefit Life	6,105
Total	555,733

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Equity and fixed income performance based on Employee Benefit Bond Funds. Source: SEI

MONEY MANAGERS

Investment makes soaring return for Minnesota firm

■ Investments made in the Minnesota peregrine falcon market have paid off in big returns of nesting birds of prey for Peregrine Capital Management, Minneapolis.

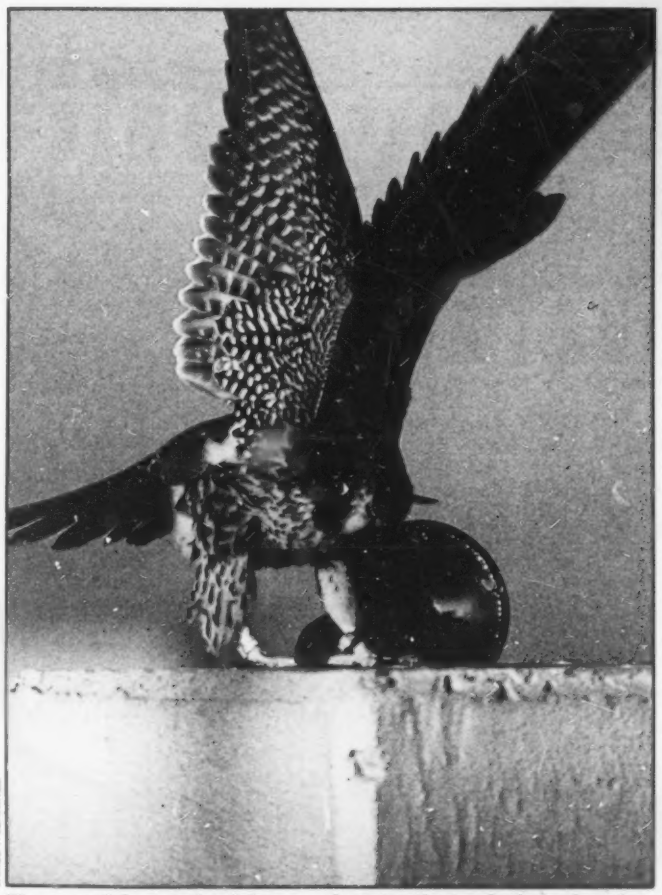
The partners picked the name at the firm's inception seven years ago, after researching the falcon and its habitats. "We chose the name Peregrine for all that the bird represents: It is a very strong bird, not the biggest in its class, but agile and very efficient. It was also almost extinct and making a comeback," said Bob Mersky, president.

Peregrine was formed by members of a bank trust department, and Mr. Mersky indicated the firm wanted to emphasize the idea of a renaissance from the troubled times bank trust departments were then experiencing.

The firm became a major sponsor for the Minnesota Peregrine Project, part of a nationwide effort to reintroduce peregrine falcons after the wild population was decimated by the widespread use of DDT in the 1950s.

The program of peregrine releases has been extraordinarily successful in Minnesota. The falcons are very territorial; the Twin Cities region would normally support just one breeding pair. But birds released in Minneapolis and St. Paul have returned every year since the project began in 1982, and this year have established five nest sites on city high rises, surrogates for the cliffs traditionally used.

"It's a great feeling to see the falcons flying free in downtown Minneapolis and St. Paul and on the river bluffs of the Mississippi," Mr. Mersky said.



JAMES T. JENNINGS

The graceful peregrine falcon — almost extinct only three decades ago — is soaring again over the skies of Minneapolis-St. Paul thanks in part to the support of Peregrine Capital Management.

Rodney Mitchell, left, John Segner and Wayne Nance are executives of The Mitchell Group, which focuses on energy stocks.

INVESTING

Adviser fired up on energy stocks

■ Rodney B. Mitchell, founder and former president of Tallasi Management Co., New York, now is combining his knowledge of the oil business with his portfolio management experience.

He has formed The Mitchell Group, Houston, believed to be the only investment management firm focusing exclusively on publicly traded energy stocks, which account for 13% of the Standard & Poor's 500 Stock Index.

Mr. Mitchell believes such a strategy is less complicated for institutional investors than direct oil and gas investments. He said energy equities provide several advantages over direct deals, including liquidity, the opportunity to acquire assets at a lower cost, diversification by property and asset class, measurable performance standards and lower management fees.

Also, said Mr. Mitchell, the quality of energy properties is likely to be higher. "The cream of the properties are kept by the energy industry."

As for why to invest in energy, Mr. Mitchell said: "We have just gone through a major inflection point in the dynamics of world energy markets. During the 1980s, consumption declined and non-OPEC production increased. In the '90s we will see the flip side. . . . As a result, we are looking for a significant increase in real energy prices in the 1990s."

Mr. Mitchell said the idea of an energy equity manager fits the need for diversification by institutional investors.

REAL ESTATE

Recession adds to vacancy woes

■ The nation's economic recession worsened the office vacancy rate in major cities during the first quarter of this year.

The vacancy rate in major cities rose to 18.2% as of March 31, from 17.6% at the end of 1990, according to a survey by Cushman & Wakefield Inc., a New York-based real estate services firm.

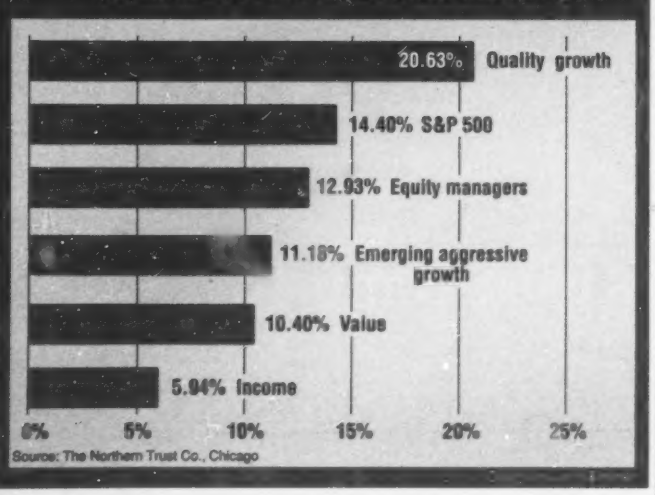
Chicago had a vacancy rate of 17%; New York City midtown, 17.4%; and Los Angeles, 21%, the survey found.

The suburban office vacancy rate is worse, rising to 21.5% at the end of the first quarter from 21.1% at the end of 1990, the survey found.

Los Angeles was the only major city to have significant new construction. Nearly 2 million new square feet of space was added to the city in the first quarter.

TNT equity manager universe

(Median returns for 12 months ended March 31)



Source: The Northern Trust Co., Chicago

BENEFITS

Costs continue upward spiral

■ Companies generally have held a steady course in selecting assumptions to calculate and report their pension obligations and funded status, according to two new surveys from The Wyatt Co.

Meanwhile, post-retirement benefit costs continue to rise.

In a survey of trends in actuarial assumptions, 85% of the 809 plans surveyed covering 1,000 or more participants have assets at market value greater than the actuarial value of all accrued benefits. This was an increase from 82% of plans in 1989, according to Wyatt's 1990 Survey of Actuarial Assumptions and Funding.

In a separate survey — Accounting for Pensions and Postretirement Benefits, based on analysis of annual reports from Fortune 500 companies — companies reported an expected rate of return on plan assets averaging 9.22%, with only 13% of industrial companies and 21% of service companies increasing their assumptions in 1989.

While 70% of the 438 industrial companies surveyed provide post-retirement medical benefits, only 7% pre-fund these benefits. While 71% of 126 top service companies offer these benefits, only 7% pre-fund.

Rising medical costs and a decrease in the ratio of active workers to retirees hiked the average cost of retiree medical and life insurance expenses per active employee by 10% to $660 for industrial companies in 1989. Average costs increased 24% for service companies.

Largest pending acquisitions

(as of March 31)

Buyer/seller (Divestiture, if applicable)	Purchase price ($ mils.)
[illegible]	[illegible]
Community Psychiatric Centers/Charter Medical Corp.	1,100.0
General Electric Co./Carter Hawley Hale Stores Inc. (Credit card operation)	[illegible]
Broken Hill Pty. Co. Ltd./Hamilton Oil Corp.	525.3
Nerco Inc./Union Texas Petroleum Holdings Inc. (U.S. offshore oil & gas business)	[illegible]
Murphy Oil Corp./Ocean Drilling & Exploration Co.	388.2
[illegible]	[illegible]
Libra Invest & Trade Ltd./Henley Group Inc.	326.0
Rochester Telephone Corp./Comsat Corp. (Local telephone operations in Minnesota and Iowa)	[illegible]
IE Industries Inc./Iowa Southern Inc.	256.7

Source: W. T. Grimm & Co., affiliate of Merrill Lynch Business Brokerage and Valuations

MERGERS & ACQUISITIONS

Volume hits 11-year bottom mark

■ Volume of mergers and acquisitions announced in the first quarter reached an 11-year low, with 438, down from 537 a year earlier, according to W.T. Grimm & Co. and Merrill Lynch Business Brokerage and Valuation.

The quarter continued the slide experienced in all of 1990, when potential deals dropped 12% from 1989. The first-quarter record was 829, set in 1985.

The decline in reported activity finally reached the smaller, under $50 million segment, which held its own throughout 1990. There were 107 announced offers valued at $50 million or less in 1991's first quarter, off 37% from the 1990 period.

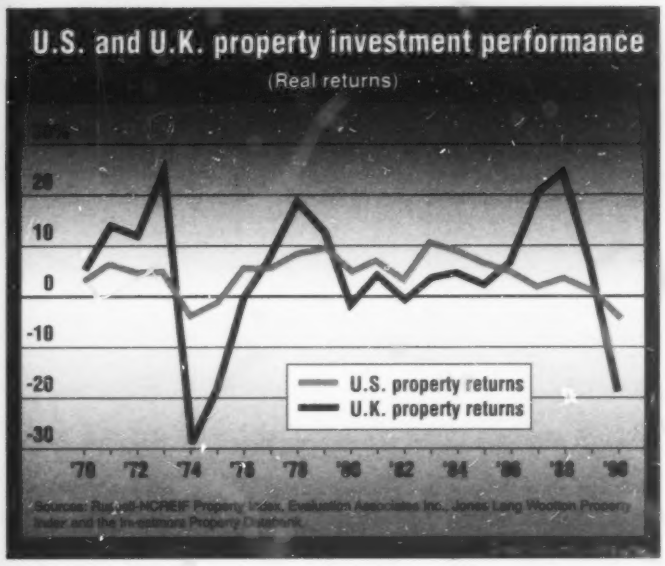
Overall, the average transaction price announced in the first quarter was $79.9 million, down 28% from $110.4 million in the year-earlier period, while the median price was up 7.6% to $22.6 million from $21 million in the 1990 quarter.

The number of megadeals continued to fall, with 34 proposed $100 million-plus deals in the first quarter of 1991, down 38% from a year earlier. Only two deals of more than $1 billion were announced, down from five in the first three months of 1990.

Divestitures accounted for about 46% of the announced transactions in both the 1991 and 1990 first quarters.

REAL ESTATE

Baring sets fund to nibble at U.K. property market



■ Baring Institutional Realty Advisors, New York, expects to close by year end its first real estate fund bankrolled by U.S. investors for investment in the United Kingdom.

The fund will be small — $37 million, possibly more — said Robert I. Houston, a principal with Baring, Houston & Saunders, London, an affiliate of Baring Institutional Realty. Five to seven investors — including public and corporate pension funds and an endowment — are likely to be in the fund.

All but a few U.S. investors have shied away from international real estate.

One reason some investors are moving into international is that England's property market has "definitely bottomed," said Mr. Houston. At 9%, yields on U.K. properties are as high as they are likely to get in the foreseeable future, he said.

INTERNATIONAL

Dollar erodes global gains for some

■ World markets boomed in the first quarter, but the dollar's rebound eroded returns for unhedged U.S. investors, especially against European currencies, according to Morgan Stanley & Co., New York.

The Morgan Stanley Capital International Europe Australia Far East Index rose 14.2% in local currency terms in the quarter, but only 7% in U.S. dollar terms. European markets alone rose 16.1% in local currencies, 4.1% when translated into dollars. The MSCI World Index was up 13.8% in local currencies, 9.3% in dollar terms.

Among developed markets, Sweden was the quarter's top performer in local currency terms, up 29.2%; its return in U.S. dollars terms was 19.3%. Far East markets saw less effect from exchange rates. Hong Kong was the top performer in U.S. dollar terms, with a gain of 24.4%; its gain in local currency was 24.3%.

Emerging markets also had a stellar quarter. The MSCI Emerging Markets Free Index, tracking the 12 developing markets where a substantial portion of shares is available to non-domestic investors, rose 39% in local currency terms and 28% in U.S. dollar terms in the quarter. Argentina was the top performer, up 204% in local currency and 78% in U.S. dollars.

WASHINGTON

Sloan, 4 others selected for ERISA Advisory Council

■ Maceo K. Sloan, president and chief executive officer of burgeoning minority-owned NCM Capital Management Group Inc., Durham, N.C., has been named to represent investment managers on the ERISA Advisory Council.

The council, which formerly was known as the Advisory Council on Employee Welfare and Pension Benefit Plans, consists of 15 private-sector experts who advise the Secretary of Labor on benefit issues.

Other professionals named to the council for three-year terms were:

- Edwin M. Jones, a former executive director of the Pension Benefit Guaranty Corp. and now a partner in the law firm of Bentley, Moser & Babson, Stamford, Conn., representing the public;
- Edward R. Mackiewicz, a former PBGC general counsel who now is fund general counsel for the Masters, Mates and Pilots Plans, Linthicum Heights, Md., representing multiemployer plans;
- Janae L. Schaeffer, a member and shareholder in the law firm of Jolley, Walsh & Hagar, Kansas City, Mo., representing employee organizations; and
- Ronald D. Watson, president, chairman and chief executive officer of the Custodial Trust Co., Princeton, N.J., representing the corporate trust field.

M. Sloan

RATINGS

Japanese join credit research field

■ America's crowded rating agency business should brace itself for some Japanese competition.

The Japan Bond Research Institute, one of three Japanese rating agencies, has just become a registered investment adviser, which is required by the Securities and Exchange Commission for foreign rating agencies.

The institute also has applied to the SEC to be a nationally recognized statistical rating organization, which would place it with four U.S. agencies and one British firm, according to Minoru Akine, managing director.

JBRI hopes to rate Japanese companies issuing debt in the U.S. market alongside the New York-based industry leaders, Standard & Poor's Corp. and Moody's Investors Service. It also expects increased demand from U.S. investors for ratings of Japanese companies.

"Since April of 1990 when the SEC opened the door by inaugurating the 144A market, we've had a good opportunity to come to the U.S. market. The 144A market was designed to invite Japanese Euromarket issuers to the Yankee market," said Masumi Oga, senior analyst.

While U.S. rating agencies tend to be investor oriented and, therefore, harsher in their ratings, JBRI claims to be neutral, serving both issuers and investors.

The institute is offering credit reports free to U.S. investors, but eventually it plans to charge fees for the reports.

"In the future we would like to rate U.S. companies. For now, we want to issue reports to U.S. investors on bonds floated by Japanese corporations in the U.S. market," Mr. Oga added.

FINANCING

Companies work at drawing crowd

■ One of the single greatest challenges of running a public company is to attract analysts and new investors, a survey of chief executives of newly public companies found.

Prior to the offering, their biggest problem was controlling expenses, according to the survey by Standard & Poor's Corp. and Edelman Public Relations Worldwide, both in New York.

The survey also found new issues are seeking global attention.

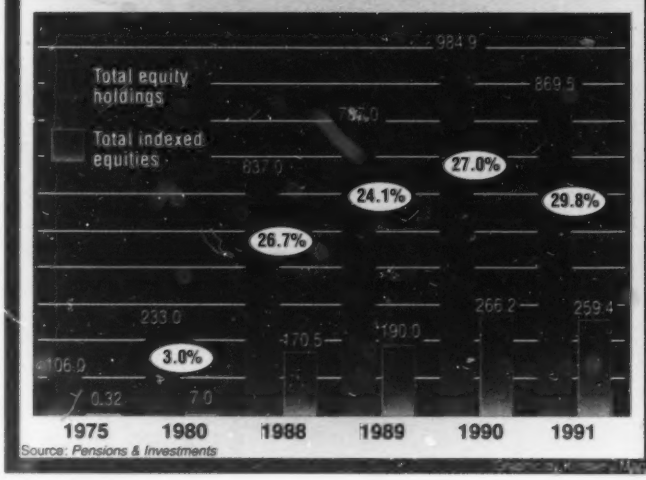
Officials of 55% of the companies that did IPOs last year went offshore to meet investors during their road shows. Only 20% of the companies, however, continue to communicate with their overseas investors or analysts now that they are public companies.

"It's striking that top management of newly-minted IPOs acknowledges the importance of providing guidance to Wall Street, and yet over one-third . . do not regularly brief securities analysts and half of them fail to establish relationships with the financial press," said Robert Hubbell, senior vice president and managing director of Edelman's financial relations division.

Some 50% of chief executives of 1990's IPOs believe they are not adequately followed by securities analysts, and two-thirds said they find it difficult to attract analysts and new investors.

Pension funds' indexed equity holdings

($ billions)



Source: *Pensions & Investments*

TRADING

No excuses for not using minorities

■ "Phooey."

That is Norma Yaeger's response to international investment managers who say they are unable to find women- or minority-owned brokers in the United States to execute and clear trades of foreign securities.

That person, according to Ms. Yaeger, is "living in yesterday's world."

Norma Yaeger says it's relatively easy for a broker to execute international trades.

And Ms. Yaeger ought to know. She is the president of Los Angeles-based Yaeger Securities, a firm that she founded 10 years ago.

Yaeger Securities, through a correspondent relationship with Wertheim Schroder, can execute trades on exchanges in London, Tokyo and Hong Kong and other foreign cities.

The $30 billion California State Teachers' Retirement System threw out applications from 91 international money managers because more than half failed to comply with the state's 1989 affirmative action law.

California requires the investment management firms it employs to make a good-faith effort to subcontract with minority- and women-owned firms.

With today's communications technology, an international broker can execute a trade of its domestic issues through a U.S. broker with no greater difficulty than it takes to make a long distance telephone call, according to Ms. Yaeger.

"Most of the time, they have correspondents here in the United States," she said.

"It doesn't matter if I'm sitting in Japan, London or Amsterdam."

Chaos theory weakens efficient market idea

By Richard A. Crowell and Edgar E. Peters

For 39 years, investment analysis has been dominated by the concept of efficient markets and its corollary, random walks. But these concepts of modern portfolio theory and the statistical analysis tools underlying them — specifically normal probability distribution and variance as a measure of risk — are being challenged by the new sciences of complexity, often referred to as chaos theory.

Trends and cycles in markets, not possible under the efficient market hypothesis or in random walks, exist in the statistical analysis related to fractal geometry, a part of chaos theory. Characterized by long-memory effects, fractal distributions suggest the impact of one day's events can influence the future for months or even years. Thus, chaos finds the evidence of trends and cycles.

If the markets are fractally distributed rather than normally distributed, a substantial portion of popular statistical analytical tools is considerably weakened, particularly because of "long-memory" effects. That variance is no longer defined also brings into question much of modern portfolio theory, which generally uses variance as a measure of risk.

The efficient market hypothesis in its widely held "armistrong" form says securities prices reflect all public information and thus prices can't be gamed for profit. Returns follow a random walk; successive changes in price are independent of previous changes. The probability function of market returns, in short, is thus a normal distribution.

This bell-shaped distribution permits a wide battery of statistical tests and modeling techniques, so commonly used by portfolio managers and academics. But these tests and models are valid only if returns are normally distributed, or at least independent, as in the random walk.

The description of returns as normal or "approximately normal" persists to this day, even though persuasive evidence has been building in the past 30 years that actual market returns aren't normally distributed. The frequency distribution of returns has a higher peak at the mean and fatter tails than normal distribution.

In 1962 Benoit Mandelbrot, the father of fractal geometry, suggested that market returns might be better described by self-similar probability distributions. By self-similar, we mean at different increments of time the statistical characteristics are the same.

Thus, for example, the characteristics for monthly returns would be the same as those for daily returns. These self-similar probability distributions, called fractal distributions have, like the distribution of actual returns, a high peak at the mean and fat tails.

An important characteristic of fractal distribution is its long-memory effect, causing trends and cycles. There will be long-run correlations between observations. These cycles will be non-periodic, however. This is, they will not repeat themselves precisely each time.

In fractal distributions, variance becomes infinite, or undefined. It is, therefore, unstable. Large changes tend to be abrupt and discontinuous. In normal distribution, a large change occurs through a large number of small changes.

When Mr. Mandelbrot originally proposed the fractal analysis, there was widespread debate that finally ended inconclusively because a fat-tailed normal distribution could not be distinguished from a fractal distribution. Further proof was necessary before discarding a large body of work based upon normal distributions and random walk.

Such proof is now available, and its implications are both exciting and frightening. It points to the need for widespread change in the current paradigm of modern portfolio theory to a non-linear view of how markets work.

Applying a methodology originally proposed by Mr. Mandelbrot to various capital market and economic time series found virtually all capital market series that we have studied exhibit fractal statistics. That is, they are characterized by long-memory effects. In addition, the cycle length of the system, or the length of the memory effect, can be determined. For the Standard & Poor's 500 Stock Index, we found prices increase with the 0.78 root of time, and memory length is about four years. This memory length was independent of the period of the data; that is, daily data, monthly data and quarterly data exhibit the same four-year cycle.

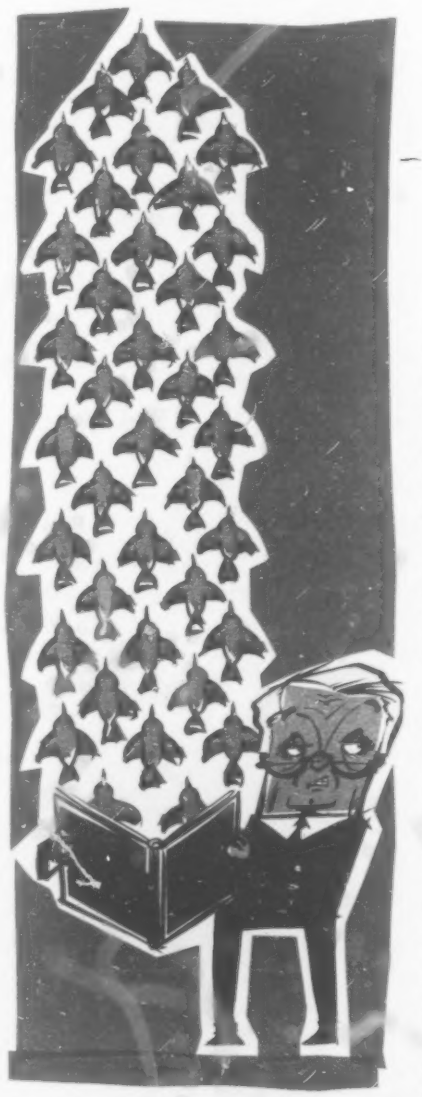
The implications of these results are exciting, because they explain why certain strategies, such as tactical asset allocation and value investing, have added value when they should not in an efficient markets framework.

However, the results are frightening because much of the analytic framework that investment finance has applied needs to be seriously revamped. Diagnostic tools useful in a linear regression framework are seriously weakened in a long-memory framework. Finally, the capital asset pricing model, and similar pricing methods, will have to be re-evaluated.

The fractal hypothesis suggests possibilities that are much closer to practical experience. That is, trends and cycles can exist, and abrupt changes in prices are not only possible but likely.

These possibilities arise when the probability function is allowed to attain a more general form, rather than the restrictive form of the normal distribution. The math becomes more difficult. But the results are closer to reality, and the truth. After all, that is what we want.

We are finding some other useful application. Contrary to the efficient market hypotheses, we found the stock market's statistical characteristics behave in certain ways prior to a downturn. We also can determine when the markets are in a trend reinforcing phase due to strong momentum. Unlike technical indicators that use charts, these momentum indicators are statistical, and give us a measure of market risk that is tied to an acceptable body of theory. ■



JOE FOURNIER

Richard A. Crowell is managing director and Edgar E. Peters is senior manager-asset allocation at PanAgora Asset Management, Boston. Mr. Peters is author of "Chaos and Order in the Capital Markets," to be published in the fall by John Wiley & Sons Inc., New York.

LETTERS TO THE EDITOR

A separate profile

■ In *Pensions & Investments*' May 20 directory of investment managers, ASB Capital Management Inc.'s information was combined in Security Trust Co.'s profile.

As of Jan. 1, ASB Capital Management had $8.3 billion under management, of which $6.7 billion was discretionary, tax-exempt.

ASB Capital Management is an active and passive equity, active fixed-income, balanced, real estate and short-term manager.

Its equity approach is oriented toward relative value. Attractive securities are identified by quantitative ranking of value and fundamental factors. Sector emphasis is made accordingly.

Its fixed-income approach combines maturity and sector shifts, interest rate anticipation, swaps and arbitrage, and timely selection of issues.

For real estate, the firm invests in high-quality, income-producing properties constructed with union labor, through participating and convertible mortgages and joint ventures.

Terence W. Collins
President
ASB Capital Management Inc.
Washington

Batterymarch rises in ranks

■ Cash that was held in accounts mandated for international equities was left off Batterymarch Financial Management's reply for the May 20 investment manager profiles.

Our actual international total is $1.826 billion, of which $1.566 billion is in international stocks and $260 million is in international cash.

We should have placed 18th, instead of 23d, out of the 25 largest managers of U.S. assets invested abroad.

Kenneth Slovin
Batterymarch Financial Management
Boston

Editor's note: As a result of Batterymarch's revision, the international assets for the 25 largest managers of U.S. assets invested abroad now total $70.064 billion, instead of the $69.804 billion reported in the table on page 18 of the May 20 issue of Pensions & Investments.

Messy mishap

■ Due to an error on my part, Hyperion Capital Management Inc. didn't get listed in your May 20 issue. I misplaced your investment adviser questionnaire on my messy desk.

Hyperion Capital Management had a total of $1.2 billion under management as of last Jan. 1 (we have since grown to $1.65 billion), with $540 million of this coming from U.S. tax-exempt insitutional clients.

I look forward to being timely with your questionnaire next year.

Christopher J. LaCroix
Managing director
Hyperion Capital Management Inc.
New York

Institutions snatch up offerings

By Marlene Givant Star

NEW YORK — Feeding the corporate new issuance frenzy during the first quarter, institutional investors purchased an unprecedented amount of both debt and equities, rather than favoring either of the two instruments.

Falling interest rates bolstered both the stock market and the value of trading in institutional corporate bonds.

"In terms of net activity, institutional investors showed a much stronger interest in NYSE stocks this year relative to last year, while retail investors turned to selling once again," said a Securities Industry Association report.

Net purchases by institutional investors swelled to a record 2.9 million shares daily in the first quarter of 1991, a more than 14-fold increase from 200,000 shares daily in 1990. The previous record was 2.8 million shares daily set in 1987.

In the first quarter, institutional net bond purchases surged more than 50% to $1.4 billion daily, compared with the year-earlier quarter's $910 million. The figure was more than two-thirds higher than 1990's daily average of $843.1 million and the highest since 1986 when the figures were first tracked by the SIA.

Stock volume, at 195 million shares daily, was the second highest ever, topped only by 1987's fourth-quarter average of 213 million shares daily, a quarter of sharply falling prices. This quarter, in contrast, prices posted their strongest quarterly gain since the first quarter of 1987, rising nearly 14%.

Smaller stocks had their best quarter ever, gaining 29% in the first quarter, as measured by the National Association of Securities Dealers Automated Quotation system. Volume was a record 161 million shares, surpassing the previous peak of 154 million shares traded daily on average in the first quarter of 1987.

So far in the second quarter, companies are continuing to take advantage of attractive terms, bringing equity offerings to market to improve balance sheets.

If the trend continues this quarter, "this is certainly the healthiest development for both our capital markets and the securities industry over the last several years," according to Jeffrey M. Schaefer, senior vice president, and Grace Toto, research associate, co-authors of the SIA's Investor Activity Report.

In April alone, 29 initial public offerings came to market, according to IDD Information Services Inc., New York.

In the first quarter, debt and equity underwriting exceeded $100 billion for the first time, reaching $108 billion, compared with a 1990 quarterly average of $73 billion to $84 billion, the report said. Most of the gain was attributable to surges in corporate and mortgage-backed debt issues.

The reason institutional investors bought stocks and bonds was because they wanted to lower their cash positions dramatically, particularly as short-term interest rates declined, according to the report. ■

Institutions go on buying spree

* First quarter
Source: Securities Industry Association, Washington

Graphic by Kimberly Mart

South African ADRs spark resolutions at depositories

By Terry Williams

NEW YORK — The American depository receipt commingled fund being marketed by the Bank of New York to its master custody and master trust clients will not include ADRs of South African companies, although the bank is one of the largest depositories for the securities.

"There are no South African ADRs (in the commingled fund), and we do not purchase any," said Mike Pascale, a bank spokesman.

ADRs of South African companies have become an issue recently as shareholders of bank stocks have put forth resolutions asking the banks to cease servicing the securities.

In late April, J.P. Morgan announced it was withdrawing from the business of processing ADRs of South African companies. The company had been the target of a campaign by the Amalgamated Clothing and Textile Workers Union, AFL-CIO, pressuring it to withdraw.

In its proxy sent to shareholders, Chemical Bank said it would cease its processing of unsponsored ADRs of South African companies by June. Last year, Security Pacific Corp. dropped its business processing ADRs of South African companies.

Bank of New York's involvement is strictly as a depository for ADRs of South African companies issued prior to 1986, an activity permitted under federal anti-apartheid legislation passed in 1986, according to Mr. Pascale.

Spokesmen for the Bank of New York and Citibank, another large depository for the ADRs of South African companies, acknowledge they had not disclosed their South African ADR activities to clients, but noted the banks had not tried to hide it either.

The New York-based Interfaith Center on Corporate Responsibility, a coalition of 250 religious investors, filed resolutions on the annual meeting proxies of Chemical Bank, Citicorp, Chase Manhattan Bank, Bankers Trust, Manufacturers Hanover Trust Co. and J.P. Morgan, according to Donna Katzin, director of South African programs with the center.

Municipalities also have begun to scrutinize ADRs, which anti-apartheid activists have described as "arcane" and "obscure."

New York City is expected to implement soon new regulations regarding South African activity, and ADRs, not a part of current regulations, will be included in the new ones, a spokesman with the city Finance Department said.

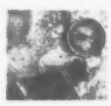
In April, legislators and anti-apartheid activists in Massachusetts asked State Treasurer Joseph D. Malone to investigate J.P. Morgan's South African ADR activities, before naming the bank to a general obligation underwriting syndicate.

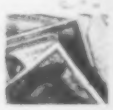
Some banks also face shareholder resolutions at their annual meetings asking them to sever correspondent banking relationships with South African banks, and not to exercise options to convert short-term debt of South African companies to 10-year loans.

Although none of the resolutions has passed, the attention they brought, combined with pressure from clients and anti-apartheid activists, have led some banks to drop the business.

In its case, according to a statement released by J.P. Morgan, the bank processed only unsponsored-ADR programs for pre-1986 shares of South African companies. (A sponsored ADR is one in which a bank has an agreement with the issuing company to be the exclusive issuing agent and depository. With an unsponsored ADR, a number of banks can serve as depository of the ADRs.)

However, "In deference to sincere and strongly held views on a uniquely sensitive issue, we decided to withdraw from the business of processing ADRs for South African shares," the Morgan statement said. ■





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Unity

Continued from page 2

Between 3 million and 4 million participants have lost federal government protection of their pension plans through the conversion of their benefits into insurance annuities, according to a recent study by the U.S. General Accounting Office, Washington. The study was requested by Sen. Donald W. Riegle Jr., D-Mich., chairman of the Senate Committee on Banking, Housing and Urban Affairs.

"Although these annuitants are protected in general by the state guarantee system, some of them could lose all or part of their pension benefits should the insurance companies providing their annuities fail," the study said. Between January 1975 and December 1990, 170 life insurance companies failed. Of the total, 40% failed in 1989 and 1990, the study found.

Other congressmen who have expressed concern over problems posed by Executive Life include Sen. Howard Metzenbaum, D-Ohio, and Rep. Charles B. Rangel, D-N.Y. Sen. Metzenbaum, who is chairman of the Senate Committee on Labor and Human Resources Subcommittee on Labor, has scheduled a June 20 hearing on Executive Life; Rep. Rangel, who chairs the House Ways and Means Subcommittee on Select Revenue Measures, has scheduled a hearing June 27.

Overhanging the rehabilitation of Executive Life and the payment of participants' benefits is the Internal Revenue Service's $643 million lien for back taxes and penalties. If the IRS' claim is honored, payments to policyholders and annuitants would be killed and the insurer would be forced into liquidation, according to John Garamendi, California's insurance commissioner.

The new group representing defined contribution plan interests argues that while participants should be treated on the same basis as other annuitants, they should have priority status over holders of the $1.9 billion in municipal GICs purchased by state and local governments.

Some governments issued low interest bonds to fund public projects, investing the proceeds in municipal GICs issued by Executive Life. The difference in interest rates was to finance the projects and result in a profit, Mr. Garamendi has said.

In addition, the group has met with officials at the Department of Labor, the IRS and members of Congress to seek out ways for employers to cover participant losses and to discuss Executive Life's potential consequences on pension plan investments.

Recently, the Labor Department announced it would process on an accelerated basis employer requests to buy Executive Life GICs from their pension plans. Such a transaction is prohibited under the Employee Retirement Income Security Act of 1974.

The pension group would have preferred an advisory ruling affecting all employers, rather than requiring companies to make individual requests, said John J. Nestico, senior benefits counsel for Unisys Corp., Blue Bell, Pa., and a spokesman for the group.

"Under the circumstances, we've got a huge nationwide problem here, and to me that's not very responsive," Mr. Nestico said. Some 150 companies are invested in Executive Life GICs. Executive Life, Los Angeles, a unit of First Executive Corp., was placed in conservatorship April 11.

The coalition also is seeking a ruling from the IRS permitting participants to roll over supplemental distributions from Executive Life contracts into a tax-deferred vehicle such as an individual retirement account, without taking a tax hit.

But the issues posed by Executive Life could have far-reaching consequences for defined contribution plan investments and the economy overall if participants suffer losses, pension executives fear.

Participant losses could drive defined contribution plan assets from the popular GIC option to lower-risk, government securities, reducing retirement income and shrinking cash flows into insurance companies that reinvest the money into the economy, Mr. Nestico said. "It's going to take a lot of money from the underlying economy," he said. ■

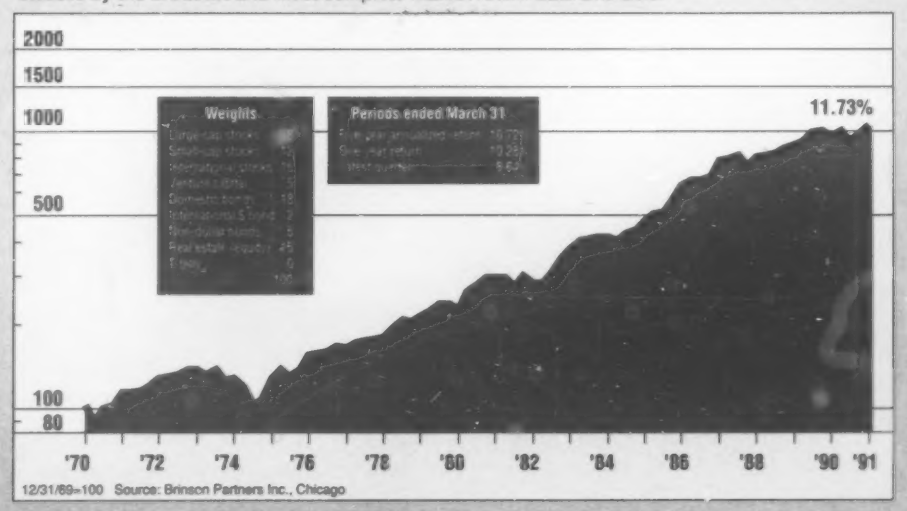
Group Annuity Participant Protection Association

Alcatel
Amdahl
Ampex
Bayer USA
BW/IP International
Clarke American Checks
Drake Bakeries
Freudenberg-NOK
Haynes International
Hilti
Holiday Inn
Honeywell
Inland Container
International Paper
Ralston Purina
Simplex Time Recorder
Sperry Marine
Unisys
Wilson Sporting Goods
Woodward & Lothrop
Xerox

This is a corrected version of the Multiple Markets Index that appeared in Statistically Speaking May 13.

Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.



Graphic by Cynthia Watson

Demands

Continued from page 1

elect two new outside directors to the nine-person board and to create a stockholders' advisory committee made up of three outside directors to meet quarterly with a committee of major institutional shareholders.

The agreement didn't come a moment too soon. Standard Brands Paint was one of eight companies targeted in the second phase of a letter-writing campaign by the California fund, which threatened to vote against the slate of directors of companies it considered to be poor performers.

"This company has been poorly performing. This is an attempt to get some input and direction for the company," said Richard Koppes, general counsel of the California fund.

Standard Brands Paint, which operates 134 stores in the West, has been squeezed ever since it incurred almost $200 million in debt to repurchase 6 million shares of common stock in 1987 to fend off a takeover attempt.

When Transamerica and SunAmerica lent the company $139 million, they received preferred stock, according to Craig Walker, vice president-communications of Standard Brands Paint.

"Under the new agreement, we could sell our 19 Texas properties at less than 1987 appraised values (contrary to the covenants' stipulation). That was our sweetener. The lower conversion price on the preferred stock was (the senior lenders') sweetener," said Mr. Walker. Lowering the conversion price increases the lenders' upside potential if the common stock rebounds.

While Standard Brands Paint missed no interest payments, it was in violation of certain covenants governing financial performance prior to the agreement reached with lenders.

Allen and DLJ were hired to help the company restructure the remaining $27.5 million in debt outstanding with Security Pacific. In 1987, the company borrowed $60 million in an unsecured working capital loan and an employee stock ownership plan loan from the bank. The company hopes to replace the bank's money with another source of capital by the end of the summer.

Standard, which has had deteriorating earnings in recent years, hopes to raise $20 million from the sale of its Texas sites to pay down senior debt. The company lost $1.53 a share last year, including restructuring charges, on revenue of $294 million.

In exchange for their concessions, the senior lenders received the option to extend the secured senior debt for three additional years, to 2000, and will be exchanging $16.25 million in Standard's Series B preferred stock for two new issues of preferred stock worth the same amount. The new Series D and E shares will pay the same 10% dividend, but the lenders will be able to convert the Series D shares into 996,890 common shares at $7.97 a share. The conversion price on the Series B shares had been $16.30. The Series E preferred dividend rate will increase 50 basis points each quarter beginning June 1, 1995.

The decisions to expand the board to 11 members from nine and adopt a shareholder advisory committee were called an "accommodation" with shareholders. Under the expansion, two outside directors would be elected. The stockholders' advisory committee, composed of three outside directors, will meet at least quarterly with institutional shareholders and provide them "with a forum for expressing their views on the company's future strategic direction," Mr. Walker said.

The election will take place at the company's annual meeting, changed to July 12 from May 24.

"The company was faced with a series of problems. Its performance has been deteriorating. There was a potentially disruptive proxy fight threatened, and common shareholders — although fairly concentrated — were unorganized. There was no forum for communicating effectively with the company," said David Eisner, senior vice president of Providence Capital, a New York investment bank acting as adviser to the institutional shareholders and some large individual investors.

In addition to the California fund and Husic, the top institutional holders of Standard Brands Paint are SunAmerica, with 4%, and Dimensional Fund Advisors, Santa Monica, Calif., with 3%.

Providence proposed a three-pronged solution on behalf of shareholders. The plan called for new independent representation on the board; a strategic review of businesses by an outside consulting firm; and formation of a shareholder advisory committee to allow large shareholders to more effectively communicate with management. Discussions with management had been going on since the beginning of the year, Mr. Eisner said.

Because the agreement was worked out with input from Mr. Latshaw, "there is unlikely to be a potentially disruptive proxy fight as a result. We worked quietly to facilitate communication between shareholders and the board of directors," Mr. Eisner said. ■

AT DEADLINE

Continued from page 1

Associates, Denver, was consultant.

The $293 million **University of Pittsburgh** endowment hired The Common Fund to manage $20 million in a commingled South Africa-free international equities fund.

The $150 million **Georgia Firemen's Pension Fund** hired Montag & Caldwell to manage a $36 million balanced account and Globalt to run $5 million in equities. Wellington Management was terminated. Southeastern Advisory Services was consultant.

Hicks, Muse snares veteran

Charles W. Tate, a 19-year veteran of Morgan Stanley, is joining Hicks, Muse & Co., a leveraged buy-out boutique as a partner and managing director, and will open a New York office for the Dallas-based firm.

Merus gets $250 million

In a move that positions Merus Capital Management as the North American investment arm of The Mitsubishi Bank, the bank has allocated to Merus $250 million formerly managed by Mitsubishi Bank Trust Co. of New York.

Canadian data universe set

InterSec Research will launch a comparative performance universe of 120 to 150 portfolios of Canadian pension funds and their money managers later this year.

Firm hires exec, opens department

LONDON — London & Bishopsgate International Inc., with offices in New York and London, hired an investment executive and formed a New York-based quantitative research department.

Herbert T. Hughes, co-founder and former president of Paramount Capital Group Inc., Stamford, Conn., is the new director of portfolio investments.

The research department is headed by Yiannis Koskosidis, former assistant professor at City University of New York. Other members include David A. Hanna, former investment analyst with Aetna Life Insurance Co., and Arthur D. Cashin III, former program analyst with First Boston Corp. ■